

ENERGY EFFICIENCY AND RESOURCES MANGEMENT COUNCIL

Minutes-May 9, 2013

Conference Room B, Second Floor, DOA

Call to Order: Chairman Ryan called the meeting to order at 3:35.

Members Present: Paul Ryan, Joe Newsome, Joe Cirillo, Abigail Anthony, Chris Powell, Dan Justynski, Jennifer Hutchinson, Michael McAteer, and Marion Gold

Staff Present: Charles Hawkins, Rachel Sholly and Danny Musher

Consultants: Scudder Parker, George Lawrence, and Mike Guerard

Others Present: Rachel Henschel, Jeremy Newberger, Karen Bradbury, Mike Henry, Puja Vohra, Nick Corsetti, Mark DiPetrillo

Acceptance of Minutes: Joe Newsome made a motion to approve the March minutes. It was seconded by Chris P. and passed unanimously. Joe Newsome then made a motion to approve the minutes from the April Work Session. It was seconded by Joe C. and passed unanimously.

Vote on the 2013 Annual Report (AR)

Paul R. said that a draft of the AR has been sent to the General Assembly (GA) and the Governor. He then asked if anyone would like to make a change to the draft AR.

Marion G. made a request to include a letter from the OER Commissioner to compliment the letter from the Chairman. Chris P. made a motion to approve the AR and sent it to the Governor and the GA, with Marion G.'s request. It was seconded by Joe C. and passed unanimously.

Executive Director's Report

Working with the consultant team (C-Team), members of the EERMC, and NGrid, OER has been moving energy efficiency (EE) programs forward. Danny M. is working on the RI State Energy Plan (RISEP) and Rachel Sholly is progressing with the RI Public Energy Partnership (RIPEP). There was a GA hearing on the PACE legislation and VEIC's Peter Adamczyk briefed Senate Environment and Agriculture Chairwoman Sue Sosnowski on its specifics. The RI League of Cities and Towns will not oppose this legislation because it is not a mandate, however, Dan Beardsley feels it will be a challenge to market it. Marion G. has been talking with RI banks like Washington Trust about PACE.

Chris P. said that by May, there was supposed to be a financing package in place for large Commercial & Industrial (C&I) customers.

Is it ready to go? Mike M. said that the DSM Collaborative was briefed on this at its last meeting and the financing package may not be ready to roll out until the fall. Chris P. said that if the C&I financing plan is not a reality by then, TEC-RI will not sign the settlement for the 2014 Energy Efficiency Program Plan (EEPP). They have been waiting a long time for this to happen.

Marion G. said that the new council appointees have received their paperwork from the Governor's office and it has been sent to the Senate. She is concerned about Marcia G.'s confirmation because she is a voting member. She then passed around an Annual Report from the OER which is a snapshot of their activities.

NGrid First Quarter Results

Puja V. of NGrid was introduced to give the C&I update. The good news is that the American Council for an EE Economy (ACEEE) recognized NGrid's Small Business Direct Install and EnergyWise programs with the Exemplary EE Program Award which includes RI, Massachusetts and New York. NGrid's enhanced incentive package rewards customers for getting their applications in early and for more comprehensive EE measures that go beyond lighting.

NGrid has designated a municipal field rep, Mike Skinner, who will coordinate with OER on the RIPEP. They are also rolling out a package of municipal EE incentives. They have also held a series of

stakeholder forums to get feedback from the design community on their new construction programs and a report on the findings will be out soon. The codes initiative has just awarded a RFP to a dedicated vendor team. Paul R. asked if it was a RI contractor. Puja V. said they work in Massachusetts & RI. NGrid has also been working closely with Brown & URI on a SEMP MOU and have identified another possible SEMP customer-Lifespan Hospitals. They have also identified five industrial customers to work on a one year EE pilot. Chris P. asked if they were small or large firms. Puja V. said they are medium and large. Some are TEC-RI members.

Joe C. asked if the energy codes were uniform in each of the states or are there buckets of different enforcement. In the eighties the goal was uniform energy codes, but now he is hearing that states are getting away from this and it is becoming more local. He feels this is wrong. Puja V. said that NGrid was working with Northeast Energy Efficiency Partnerships (NEEP) to get national data on code enforcement. Chris P. asked if all three states were on the international code. Puja said that the three states were not on the same schedules. Paul R. said that another step is to educate town councils. The energy code enforcers take the lead from them especially in RI.

NGrid's Nick Corsetti was introduced to give the residential update. There is now a single point of contact for all residential EE customers. An official press kickoff is scheduled for the Home

Energy Reports (HER) program which was launched in April. The low income weatherization program has a new vendor. The EnergyWise Program had a vendor kickoff event in February. NGrid has contracted with two new heat loan providers to bring the total to five.

Rachel H. then passed out a jobs report, conducted by the New England Clean Energy Council, that found that 528 direct FTE workers were supported in 2012 by the EEPP. 598 companies were involved with 71% of them headquartered in RI. The C&I sector produced 48% and Residential 35%. She then opened up the meeting for questions.

Abigail A. asked how the 15-16% of goal that NGrid is at this year compares to last year. Last year they were at 12%. Residential is projecting to get to 100% of goal on both gas & electric and new construction and retrofit is at 90%. Abigail A. said that was encouraging. Scudder P. said that is a conservative estimate because it does not include multipliers. Chris P. added that it appeared projections were coming in below budget. Mike M. said that the projections are much better in the gas sector than the electric.

VEIC Consultant Team (C-TEAM) First Quarter Report

The focus this year, along with oversight of the EEPP, is establishing a stronger OER role. The C-Team is training staff to form stronger

partnerships for the RI EE team. Oversight of the EEPP has involved monthly meetings with NGrid strategy groups. They have been positive discussions and more productive than last year. Mike G. has also been participating in the codes and standards working group, and commented on the vendor RFP. RI is a national leader on energy code initiatives.

At Chris P.'s request, the C-Team met with TEC-RI in March. Mike G. has been working with agriculture stakeholders on EE opportunities; with the possibility of incorporating this sector into the EEPP. The C-Team has also worked on recently introduced municipal streetlight legislation. The challenge is to find underserved sectors to better employ ratepayer funds. Marion G. said that she wanted to make sure that the \$25 million in anticipated housing bonds have an EE component.

VEIC recently had a strategic planning session with OER staff. They are also helping with RIPEP coordination between NGrid & OER. This is a way to leverage more EE money for RI. David Hill has been working with OER on the separate C-Team RE contract. Peter Adamczyk has been working on the separate contract on PACE.

Danny M. then gave the Council a brief update on the RISEP. OER is now working with Navigant Consultants on scenario modeling. They are looking at EE in the scenarios but LCP is as aggressive an EE policy as you can get. Joe N. asked if the architect of the RISEP was

Statewide Planning or the OER. OER is driving the plan. Marion G. said that the Renewable Energy Coordinating Board (RECB) is looking to model itself after the EERMC with specific goals and plans. Another joint meeting between the EERMC and the RECB needs to be scheduled.

Going forward, the next key task for the C-Team is to establish three year EE targets. The objective is to establish EE targets that are cost effective and less than the cost of supply. It will be a 10-15 page report that needs to be voted on at the August meeting for a September 1st PUC filing.

Abigail A. was concerned that the C-Team was not monitoring the Avoided Energy Supply Cost Study for 2013 that says electric supply will be down about 24%. This would put electricity at about six cents per KWh in 2014. In Massachusetts and Connecticut, consultants are monitoring this progress on behalf of their EE councils. This could impact RI's three year EE goals. Mike G. said that the C-Team needs Council guidance on this.

Jeremy N. then explained the process that is going into the Synapse Avoided Cost Study. There is a study group that is providing feedback to this study. It is meant for people who can contribute to the analysis. This group has been meeting since 1999 and includes every jurisdiction in New England. The Council could have one representative on this study group. Abigail A. feels it is important to

have Council participation in these proceedings. Jeremy N. said that was fine, he just need to know who the Council point person is. NGrid's intent is to put it on the DSM Collaborative agenda and get feedback.

Chris P. asked what the C-Team feels the Council's role is in this cost study. Scudder P. said that Efficiency-Vermont is not involved in the process. The C-Team needs guidance from the Council. If the C-Team did become involved, they would try to find out what other jurisdictions are doing. Abigail A. hopes the C-Team would understand the process and look at the assumptions that are being debated. A draft is due in early June.

Abigail A. asked if this is something that the Council needs to authorize or could it be done within the C-Team work plan? VEIC can do it within the current work plan. Marion G. feels this is critical important and the C-Team should be involved. Jeremy N. said the Massachusetts EE Council had a seat at the table. Scudder P. said this is arcane study but critically important. A brief discussion then ensued about externalities.

Presentation on Electric Reliability & Transmission Planning

Mike Henry, Senior Council and Director of Environment Northeast's (ENE) Sustainable Transmission Project, was introduced to give this power point (attached) presentation. The cost of transmission will help inform the three year EE goals. Transmission costs are

skyrocketing to address System Reliability (SR). EE can impact transmission size and cost. EE can be a transmission resource.

Mike H. then showed a slide that showed how transmission costs in New England in comparison to the rest of the US are going up. Since 2000 there has been \$5 billion invested in transmission in the region and another \$6 billion is needed. Some drivers of this increase in expenditures are: aging networks; increased in material costs; and national reliability rules.

Chris P. asked if these improvements were mandated by the Federal Energy Regulatory Commission (FERC). Mike H. said that some of it was. Chris P. said that he has heard that 90% of the cost is because FERC tells New England what to do. Mike H. said he did not know if it was that high but there are a number of factors at work. One is the transmission return on equity incentives. Companies are pouring money into transmission because they get a greater rate of return. States also have incentives to approve transmission projects.

Transmission improvements are socialized over all of NE. In regional transmission projects, paid for by all New England states, Massachusetts pays 45% and RI 7%. However, States pay 100% of the cost for non wire alternative (NWA) solutions as opposed to a much smaller percent in large regional transmission projects. Load growth drives transmission. Overall electric consumption may be down but peak load is up. Chris P. said that EE can help but it can't

solve all of the problems. Scudder P. said a problem is that no one is required to submit a NWA on the regional level. Payment for NWA needs to be at the local and not the regional level. Chris P said you need all of the regional decision makers together at the same table to move this forward.

Mike H showed chart on Maine's power reliability program that gets at this dilemma. The largest transmission project in Maine history was recently completed that cost \$1.4 billion. Because the cost was regionalized, Maine paid only \$118 million of the project while Massachusetts paid \$637 million. If Maine had done a NWA it would have been a \$800 million project but they would have had to pay 100% of the cost instead of the \$118 million they paid for the large transmission project.

Some progress is being made. ISO EE forecast reduces energy use and means less need for transmission. They are doing a ten year EE forecast that shows RI's annual energy usage decreasing. A \$259 million transmission investment in New Hampshire and Vermont was deferred because of EE investments. Projections look at load growth, but now the growth is not increasing as much. There is a confluence of transmission and distribution going on. Chris P. said that the ISO is changing rules for demand response that increased cost. Smaller users are being force out of the market. This program is used to reduce peak. What happens when you lose all of these demand response customers? He feels this will impact the distribution

system. ISO is coming to a TEC-RI meeting and all of those changes will be brought up. ISO took the floor price out which takes the suppliers out of the picture and is a windfall for generators. Mike H. then opened up the floor for questions

Scudder P. commented that the projected load growth is another cent on the distribution rates. Marion G. asked what the EERMC can do to influence this situation. Mike H. said the council should encourage states to take a stance on NWA. Make the cost of NWA comparable to transmission improvements in the region. Marion G. asked if ISO is the organization where pressure needs to be applied. Mike H. said that the ISO is reluctant to act because of something called integrated system planning. ISO is not looking at EE as a resource. It may be better for the states to get together with an agreement and then approach ISO. Maybe CONEG can help?

At this point in the meeting both Paul R. and Chris P. needed to leave so no further votes could be taken.

Natural Gas Expansion in RI to Insure the Highest Level of EE in New Connections

NGrid's Nick Corsetti was introduced to give this power point (attached) presentation. He will touch on: the market shift and demand for natural gas; NGrid's response to this demand; and its

interaction with EE. In the last year NGrid has had 1,900 requests for new gas service which is a 30% increase in residential requests. There is the potential for more growth. NGrid is currently working with the DPUC on a three year \$3 million pilot as part of the gas infrastructure, safety and reliability Plan (Gas ISR) which will offset 75% of the customer contribution to the gas hookup. EE will be marketed throughout the pilot. The company is also making a pitch for the purchase of more EE equipment but it is the customer's choose. They can also choose more standard equipment.

NGrid also has a Gas Conversion Program, which is promoted with an EE priority. It accounts for 50% of gas conversions in RI. There are fourteen RI contractors working on the program who are required to install the most EE equipment model appropriate for each home. Joe N. asked if the multi-family initiative part of this. Mark D. said that the multi-family program has the ability to go through this process. In 2011 20% of the conversions were high EE and in 2012 it was 29%. The barriers to installing high EE equipment include the presence of steam systems in RI, and the retrofitting of existing oil boilers with gas burners. On the financial side, a barrier is the potential installation premier which can be as high as \$3,000. Dan J. said that is why financial options would be helpful with these types of conversions. Perhaps an on-bill payment option.

One of the best ways to increase conversion of high EE equipment is contractor engagement with regular training and education sessions.

The process is now more streamlined with the customer only dealing with one vendor. Gas conversions also overlap with EE programs like EnergyWise and the HEAT loans. 70% of the 548 HEAT loans issues in 2012 financed gas conversions.

Joe N. asked about the terms of HEAT Loans. It is for seven years with a maximum loan of \$25,000. VEIC's George Lawrence asked if NGrid can offer enhanced incentives to swap from oil to high EE gas equipment. Nick C. said that NGrid can not use EEPP funds to get people to convert to gas. It is a conflict of interest. They can only use their existing EE programs for incentives. Scudder P. asked for an explanation on why NGrid can't use EEPP funds when they are spending \$3 million on a pilot with the DPUC. Rachel H. said that the \$3M pilot was an entirely different docket. Scudder P. said that 29% rate for conversion to high EE is not a high success rate. Jeremy N. said that if the Council or the C-Team has ideas on how to increase the number of high EE conversions they should let NGrid know. Scudder P. suggested having a higher incentive when people convert to more EE equipment.

Abigail A. said that if we have any chance of getting the oil industry to embrace EE we can not make it appear as if EE means gas conversion. This is a very sensitive issue. She is happy to see that the gas to oil weatherization program is working out. If you can not convert to more EE heating equipment, you can still get the weatherization work done. You might want to require an energy audit

when you do the conversion.

George L. asked if NGrid was looking at CHP opportunities as part of the conversion process. Mark D. said that would be hard to do on the residential level but they have has success with three large C&I firms.

Joe C. made a motion to adjourn. It was seconded by Abigail A. and passed unanimously.

Respectfully submitted

Charles Hawkins

Secretary Pro-tempore